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SUBJECT: INSIDERS' VIEWS ON HOW TO INFLUENCE BURMA'S RULING GENERALS

Classified By: COM Carmen Martinez for Reasons 1.5 (B,D)

¶1. (S) Summary: Burma's businessmen have been telling us in no uncertain terms that neither economic sanctions nor constructive engagement will expedite political reform under the current circumstances. With surprising unanimity, these insiders have asserted that "coercive persuasion" is the only possible solution. End summary.

An Informal Poll of Movers and Shakers

¶2. (S) In light of the increasing intransigence of the regime in general, we've been listening closely to our most reliable private sector contacts who work closely with the regime, on how to influence the political process. We pass on these views not as a policy prescription, but to add to the ongoing debate, sparked by UN Envoy Razali during the February Informal Consultative Group (ICG) meetings in Tokyo, over how to better advance the process of transition in Burma.

¶3. (S) Some of our sources are former military officers, both recently retired and of the Ne Win era, now using their close contacts still in service and in the government to advance their economic careers. Others are long-standing private businessmen, both Burmese and foreign, who, manipulating close ties with ministers, military intelligence, and others in power, have learned the ropes and are now living high on the hog. Despite their success, some of the sources are growing disenchanted with the regime's mismanagement of the economy and the country. Others view each GOB economic misstep as something on which to capitalize for increased profits. None expressed any particular love for ASSK or the NLD leadership, often citing their advancing age and inability to express a clear policy vision. However, most agreed that there was currently not any other option.

¶4. (S) The results of our soundings were surprisingly unanimous: to expedite political change, economic sanctions don't work, but neither would pure constructive engagement. The results of sanctions -- as measured by changes in the regime's behavior and achievement of U.S. policy aims -- have been quite limited. According to the observers, the failure is due the sanctions' inability to hit the ruling generals "where they live," that is by threatening directly their hold on power.

Economic Sanctions: Laughed Off

¶5. (S) Our contacts told us that economic sanctions have missed their target for three main reasons. First and foremost, unilateral sanctions cannot succeed. U.S. sanctions have failed because of the inability to win multilateral cooperation, particularly from regional states. In the past several years, the Burmese government has worked hard and successfully to spin a cocoon of economic protection by strengthening trade, investment, and other ties with its neighbors. The net result is that Burma now has friendly relations with all its neighbors. This includes even democracies like India, Thailand, and Bangladesh, which continue to support, at least verbally, political transition in Burma. For all of these neighbors, Burma simply holds too many of the keys to regional security and development to be sanctioned, embargoed, or isolated. Even such anti-regime stalwarts such as the UK and the Nordic countries have started expanding their aid programs in Burma, though for reasons entirely different than those of the regional states.

While regional states are all focused on their basic political and economic interests in Burma, for the Europeans the growing humanitarian crisis has become an issue that parallels their interest in political transition. Businessmen are confident that should the United States impose a trade ban, the regime would shrug it off, benefiting as they do, both legally and illegally, far more from massive border trade with Thailand and China than from the minuscule amounts shaved off exports of garments and seafood to the United States.

¶6. (S) A second factor is that sanctions have been politically useful to the regime, providing cover for its economic failures. The regime is certainly vexed by

reductions in foreign exchange earnings, whatever the cause, however the GOB's own policies are more to blame for these problems than any economic measures taken by foreign states. Evidence of this is the mass divestments of companies from all over the world, regardless of their home government's Burma policy.

¶ 17. (S) Third, all of our contacts pointed out that, as they saw it, the government has nothing to win and everything to lose by making major concessions in the current environment. With this view of life or death, it's no surprise that the regime is able to easily weather the slight discomfort caused by unilateral U.S. sanctions.

Constructive Engagement?

¶ 18. (S) So what will work? Most agreed that the regime might respond to carrots for non-political reforms. However, the carrot would have to be sizable and clearly stated -- such as a large aid package or agreement to support an international financial institution effort to fund economic reforms -- and tied to specific reforms. The consensus was clear that the regime would not be willing to take carrots, no matter the size, in exchange for major political reforms. Even with the promise of money the rulers of Burma had little to gain, and much to lose, by agreeing to changes in the power structure.

Coercive Persuasion

¶ 19. (S) Our discussions always turned to the projection of force. Contacts of various political stripes concurred that the only way to convince the senior generals to cede power was through "coercive persuasion," that is wielding a large stick aimed directly at the heart of the leadership. Time and again, we heard the assertion that this regime understands only the language of force, and would be influenced only if it is convinced it has more to lose personally from holding out than from coming to the table. The most important point, though, is that any coercive persuasion would need to be explicit and serious, and come with a firm timetable and deadline. The regime, with its large cushion of regional relations and its experience facing down external pressure, would not respond to bluffs and vague gestures.

¶ 10. (S) Despite our contacts' strong views, none could give a clear example of how this kind of pressure has been successfully applied to the top leadership. They explained their conviction in the Burmese cultural context, where even powerful men grudgingly do what they're told because someone more powerful extends an unrefusable offer. No one would be specific on what the most useful stick for the current junta should be. However, through a mix of allegories, metaphors, and obfuscation each implied that the only solution would be a direct challenge to the junta, possibly including force, if it did not agree to negotiate. There was consensus that the regime would respond better to this stick if it were mixed with tangible carrots (help to relocate, guarantees of protection from revenge or prosecution, economic assistance, etc.)

The Silent, Quaking Majority

¶ 11. (S) Another common theme we've heard is the existence, but inaccessibility, of a silent majority of high ranking military officers and civilian administrators who are unhappy with the current regime. During the February ICG meetings, a hypothetical approach to reform minded "Officer(s) X" was debated as a possible alternative policy direction. One of our contacts, who was a decorated army officer, said that many of the active duty officers from his "batch" (now colonels and brigadiers) and high-ranking civil government employees (including some Ministers) with whom he socializes, have expressed quiet but serious discontent with the regime. This sentiment stems largely from the SPDC's heavy handed management style, and the insecurity in which the ruling class must live its life. Also, we've heard from former and serving military contacts alike that officers feel that the regime is not taking adequate care of the troops, but instead spending vast sums on literal and figurative white elephants. The ruling junta's evident recent decision to reduce expected salary raises to military officers and enlisted men only adds to this discontent.

¶ 12. (S) The contact opined, though, that this discontented group is likely unreachable because while it dislikes aspects of the current system, it is enslaved to it. First, though disenchanted, this group is unwilling to make sacrifices for the good of the country. These officials owe their power and wealth to the current rulers, and thus are unwilling to take any anti-regime initiative that could lead to disaster for them and their families. The second reason, according to our source, is that none of these officers and civilian officials has reached their positions of power and influence without accumulating some skeletons in their closets. Thus, they, like the top leadership, are fearful that working for a change to the system (no matter how despised) could lead to

prosecution or revenge on them or their families from any new civilian government.

Comment

¶13. (S) There are a few important caveats to note when considering the conclusions of these observers. First, despite our contacts' clear hinting that a military solution would be the most effective, such an adventure would be of questionable interest to the USG. For obvious reasons, the risks of a military expedition on the borders of China, and at the juncture of two nuclear-armed states (China and India) would probably outweigh possible rewards. Second, many educated Burmese these days are grasping at the idea of U.S. military action as a tidy solution to intractable and complex political problems. However, our sources assert that they supported direct action long before the U.S. campaign in Iraq. Third, it is difficult to completely write off the potential for other policies working to effect change here. While neither sanctions nor constructive engagement has been totally successful, neither has ever really been tried in a coordinated fashion by the entire international community.

Martinez